



Long Beach Water Department
The Standard in Water Conservation &
Environmental Stewardship

KEVIN L. WATTIER, GENERAL MANAGER

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September 26, 2011

Phil Isenberg, Chairman
Delta Stewardship Council
980 Ninth Street, Suite 1500
Sacramento, CA 95814

RE: Public Goods Charge - Fifth Draft of Delta Plan

Dear Chairman Isenberg:

I am writing to express my organization's deep concerns with a recommendation made by the Delta Stewardship Council (DSC) in the fifth draft of the Delta Plan to establish a statewide Public Goods Charge (PGC) on water users.

A statewide PGC on water would place an unnecessary financial burden on retail water suppliers and their customers. This broad-based water use assessment would funnel money away from local water users, without any guarantees that those funds would be reinvested in water related projects and programs in the communities where the revenues originated. In fact, if the funds generated by the PGC were used to pay for vague statewide purposes such as "ecosystem costs" and "science programs" (as written in the fifth draft of the Delta Plan), it is a certainty that local water users will be underwriting programs which have no direct benefit to them.

Retail water suppliers currently have the ability to raise funds for local water projects. They can also fund regional water projects by combining their resources with other entities, such as through a Joint Powers Authority. The Long Beach Water Department has been successful in working with a variety of local and regional partners to implement programs that benefit the City of Long Beach and many of the other cities in Southern California. We see no reason why a PGC on water would be necessary for funding local and regional water related projects or programs.

A statewide PGC on water also appears to violate the "Beneficiary Pays" Principle. Retail water suppliers and their customers could end up subsidizing certain types of agencies (state or other) that are

not required to pay the annual assessment, but which could receive funds generated by the PGC. We are unable to support any policy that would distribute funds in such an inequitable manner. If funds are generated at the local level, the benefits should be proportionally returned to local users.

Finally, a PGC on water will erode the relationships between retail water suppliers and their customers. In our existing economic climate, the public is already skeptical of any new tax or rate increase. Due to the passage of Proposition 218, retail water agencies are required to notify their customers of any proposed water rate increase. Water agencies already face serious opposition from customers for rate increases that fund local investment in water infrastructure. In order to absorb the cost of the new PGC, retail water agencies will be forced to indefinitely raise water rates above normal levels, thereby placing even further strain on their relationship with ratepayers and putting them at greater risk of having any proposed water rate increase overturned by upset ratepayers.

Earlier this year, the Long Beach Board of Water Commissioners voted to oppose Senate Bill 34, legislation that would impose annual assessments on retail water agencies based on the volume of water sold to customers for non-agricultural uses. Those agencies with service areas that include agricultural land would also pay additional assessments. There was unanimous opposition to this bill from a wide range of interests. It is safe to assume that any recommendation by the DSC to impose a statewide PGC on water will attract an equal amount of opposition from those interests that would be harmed by this kind of mandate.

Thank you for the opportunity to comment on the fifth draft version of the Delta Plan. While we appreciate your efforts to craft an effective and workable Delta Plan, we do not believe that a Public Goods Charge provides an equitable, effective or efficient vehicle for funding statewide water projects and programs and we will vehemently oppose all future recommendations to implement any kind of statewide Public Goods Charge on water users.

Sincerely,

A handwritten signature in black ink that reads "Kevin L. Wattier". The signature is written in a cursive, flowing style.

Kevin Wattier
General Manager
Long Beach Water Department